The Power of Planned Giving and Endowment

April 14, 2020
Our Aspiration: At the Saint Paul & Minnesota Foundation, we envision an equitable, just and vibrant Minnesota where all people and communities thrive.

Our Strategic Goals:

- Inspire generosity
- Advocate for equity
- Invest in community-led solutions
Saint Paul & Minnesota Foundation

- Our collective impact in 2019:
  - 8,129 grants given
  - $82 million in grants awarded

- Manage three large investment portfolios (as of 12/31/19):
  - The Community Investment Group - $832 million
  - U.S. Bank - $331 million
  - F. R. Bigelow Foundation Mission Related Investment Portfolio - $18 million

- Partner with 200 nonprofit organizations to manage:
  - 400 endowed funds
  - $200 million in nonprofit assets
Today’s Agenda

- Why endowment and planned giving?
- Endowment overview
- Planned giving overview
- Marketing endowment and planned giving
- Resources
- Questions?
Who’s in the room?

- A :: Executive Director
- B :: Finance Staff
- C :: Development Staff
- D :: Other
Why Endowment and Planned Giving?
Why Planned Giving?

ROI per $1 spent

- **Planned Gifts**: $56.83
- **Major Giving**: $33.33
- **Special Events**: $3.43
- **Lotteries & Raffles**: $1.51
- **Direct Mail**: $3.66

Source: 2013 Research Study by AskRight
Why Planned Giving?

Giving Before and After Adding Charitable Beneficiary to Estate Plan

9,439 observations from a nationally representative longitudinal study

- $4,210 average annual giving pre-plan
- $3,171 average annual giving increase
- $7,381 average annual giving post-plan

Source: Source: Dr. Russell James, EncourageGenerosity.com
Why Planned Giving?

- Generational wealth transfer
  - In the next 25 years, $68 trillion will be passed on to heirs

- Baby Boomer generation is retiring in waves
  - Wealthy
  - Charitably-inclined
  - Sensitive to the value of reliable income

Sources: Bryan Clontz / Dr. Russell James / Cerulli Associates
Why Planned Giving?
Why Endowment?

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Year 10</th>
<th>Year 25</th>
<th>Year 50</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution: $5,000</td>
<td>Distribution: $5,975</td>
<td>Distribution: $8,042</td>
<td>Distribution: $13,194</td>
</tr>
<tr>
<td>Cumulative: $5,000</td>
<td>Cumulative: $54,749</td>
<td>Cumulative: $160,151</td>
<td>Cumulative: $422,897</td>
</tr>
</tbody>
</table>
An Organization’s Motivation

- Creates an ongoing, diversified income stream
- Provides for future generations
- Enhances stability, prestige, sophistication and permanency
- Relieves pressure on the annual fund
- Allows program expansion
- Builds a pipeline of planned gifts
Minneapolis Parks Foundation
A Donor’s Motivation

- Leave a legacy
- Memorialize a loved one
- Make a financial statement about one’s values/beliefs
- Recognition/status (i.e. named endowments)
- Life income gifts
- Limit transfer of assets to heirs
- Enjoy tax benefits now and in the future
Mike and Steve
Endowment Overview
Does your nonprofit have an endowment?

- Yes
- No
- Unsure
UPMIFA

- Uniform Prudent Management of Institutional Funds Act (abbreviated UPMIFA)
- Provides guidance on investment and endowments for nonprofit and charitable organizations
  - Opportunity to diversify investments
  - Requires the Board to act in good faith and consider the needs of the charity
- “Endowment fund” does not include funds that the charity designates as endowment
UPMIFA

- Requires the nonprofit or the charity to follow donor intent when an endowment is established

  - When donor’s intent is not expressed, UPMIFA directs the charity to spend an amount that is prudent, consistent with the purposes of the fund, and that the fund continue in perpetuity
Types of Endowment

- Permanent
  - Designed to keep corpus intact to grow over time
  - Allows the nonprofit to use annual income for programs or operations

- Term
  - Donor-restricted gifts for a amount of time, often for a specific program

- Quasi (or board-designated)
  - The board oversees the operations and management of the endowment. Usually, these do not have donor-restrictions. As such, the board may have the right to spend the funds at any time.
Planned Giving Overview
Types of Planned Gifts

- Bequests from Wills or Revocable Trusts
  - Simple and most easily understood by donors
  - Revocable
  - Staff time and expertise
  - Requires assistance from an attorney
  - Regular communication and marketing is important
Types of Planned Gifts

- Beneficiary Designations of Retirement Account Assets
  - 401(k), 403(b), 401(a), IRA
  - Increasingly important to nonprofits
  - Easy to set up and change
  - Does not require attorney assistance
  - Passes to charity outside of probate
  - Tax-smart way to give at death
  - IRA Qualified Charitable Distributions
Types of Planned Gifts

- Beneficiary Designations of Life Insurance Policy Proceeds
  - Easy to set up and change
  - Does not require attorney assistance
  - Passes to charity outside of probate
  - Good for donors who no longer need policies
  - Outright gifts of policies with cash value
Types of Planned Gifts

- Life-Income Gifts
  - Charitable Gift Annuity (CGA)
  - Charitable Remainder Trust (CRT)
  - Donors receive income in exchange for a contribution
  - Donors receive a current income tax deduction
  - Gift is irrevocable
  - Charity receives remainder at donors death.
Types of Planned Gifts

- Charitable Gift Annuity
  - Simple contract between donor and charity
  - Annuity is a percentage of amount contributed
  - Rate determined by annuitant’s age
  - Payment is a general obligation of the charity
  - SPMF can issue gift annuities to donors to benefit your organization.
Types of Planned Gifts

- Charitable Remainder Trust
  - Donor creates trust agreement and transfers property to trustee
  - Donor chooses payout rate
  - Can be an Annuity Trust or Unitrust
  - With a Unitrust (CRUT), payments can increase (or decrease) with trust value
  - SPMF serves as trustee of CRTs to benefit your organization, using TIAA Kaspick.
Types of Planned Gifts

- Other Planned Gifts
  - Payable-on-Death (POD) and Transfer-on-Death (TOD) accounts
  - Transfer-on-Death Deeds for real estate
  - Lifetime gifts of real estate

- Less-common planned gifts:
  - Gifts with retained life estates
  - Charitable Lead Trusts (CLTs)
Marketing Endowment and Planned Giving
Create an Action Plan

- Case for endowment support
  - Brief and to the point
  - Where the organization is today and it’s plan for the future
  - How endowment is crucial for the future
- Define the role of the Board, executive leadership, development team, and marketing team to grow endowment
- Revisit and redefine gift acceptance policies and investment policies
Who makes a great planned gift donor?

- People age 60+
- Couples with no children
- Single adults and/or widows/widowers
- Champions of your mission
  - Board Members
  - Past Staff
  - Volunteers
- Donors with frequent and consistent past donations (not necessarily “significant” amounts)
- Donors with real estate ownership beyond primary residence
Personalized Solicitation

- Planned gifts and endowment contributions can and should be a part of an organization’s comprehensive development plan.

- For individual planned giving solicitations, consider the following steps:
  - Build awareness
  - Generate leads
  - Inform and educate
  - Cultivate
  - Ask

“You’ve been a generous donor for so many years. Many of our longest-supporting members have included ___ in their will or estate plan. Is that something you’ve ever considered?”
Phrases that Encourage Planned Giving

How do you say “planned giving” so people will want to learn more?

<table>
<thead>
<tr>
<th>I am definitely interested</th>
<th>Words Tested</th>
</tr>
</thead>
<tbody>
<tr>
<td>3%</td>
<td>Gift planning</td>
</tr>
<tr>
<td>4%</td>
<td>Planned giving</td>
</tr>
<tr>
<td>7%</td>
<td>Giving now &amp; later</td>
</tr>
<tr>
<td>16%</td>
<td>Other ways to give</td>
</tr>
<tr>
<td>20%</td>
<td>Other ways to give smarter</td>
</tr>
<tr>
<td>23%</td>
<td>Other ways to give cheaper, easier and smarter</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>I am definitely interested</th>
<th>Words Tested</th>
</tr>
</thead>
<tbody>
<tr>
<td>8%</td>
<td>Other gifts</td>
</tr>
<tr>
<td>14%</td>
<td>More ways to give</td>
</tr>
<tr>
<td>15%</td>
<td>Give other ways</td>
</tr>
<tr>
<td>21%</td>
<td>How to give cheaper, easier, and smarter</td>
</tr>
<tr>
<td>22%</td>
<td>Other ways to give cheaper, easier and smarter</td>
</tr>
</tbody>
</table>

Marketing takeaway:

- Use benefit-oriented, simple words and phrases
Phrases that Encourage Planned Giving

How do you say “CGA” so people will want to learn more?

<table>
<thead>
<tr>
<th>I am definitely interested</th>
<th>Words Tested</th>
</tr>
</thead>
<tbody>
<tr>
<td>5%</td>
<td>Charitable gift annuities</td>
</tr>
<tr>
<td>9%</td>
<td>Life income gifts</td>
</tr>
<tr>
<td>26%</td>
<td>Get a tax deduction and make a gift that pays you income for life</td>
</tr>
<tr>
<td>28%</td>
<td>Gifts that pay you income for life</td>
</tr>
<tr>
<td>29%</td>
<td>Gifts that pay you income</td>
</tr>
</tbody>
</table>

Marketing takeaways:

- Avoid industry jargon, legalese, “insider” fundraising phrases and words they might not know
- Say what it is and how they benefit
Market with the Prospect in Mind

- Establish an emotional link between the organization, its mission, and the donor
- Be brief and to the point
- Make materials easy to read and understand
- Use visuals to demonstrate impact
- Utilize bullet points and pull quotes to highlight key points
- Include a call to action
- Provide direct contact information to a real person
Age Appropriate Messaging

- **Age 21 or older:**
  - Beneficiary designations for retirement assets or life insurance policies
  - Will bequests; payable-on-death designations on financial accounts
- **Age 60 or older:** all of the above, plus:
  - Charitable Gift Annuities
  - Charitable Remainder Unitrusts
- **Age 72 or older:** all of the above, plus:
  - Qualified charitable distributions from IRAs
Prospect Self-Identification

- Add a checkbox on current mailings
  - Please contact me about including ____ in my estate plans.
  - I have already included ____ in my estate plans.
Direct Mail

- Create a special IRA Qualified Charitable Distribution postcard or mailing

ARE YOU AGE 70-1/2 OR OLDER?
MAKE A TAX-SMART IRA GIFT TO MPR BEFORE YEAR-END!
You can exclude Individual Retirement Account distributions from your income when you make a gift to MPR through a Qualified Charitable Distribution—sometimes called an “IRA rollover gift”—from your IRA.

- The distribution must be made from a traditional or Roth IRA (not SEP or SIMPLE IRAs).
- You must be at least 70-1/2 years of age when the distribution is made.
- You can donate up to $100,000 per year without including the distribution in your gross income. Married couples may be able to give up to $200,000.
- The check must be payable to a qualified public charity like Minnesota Public Radio and must be postmarked by December 31, 2013.
- The distribution counts toward your annual required minimum distribution (RMD).

This giving opportunity benefits you and MPR at the same time, but it is only available through the end of 2013. Don’t miss out—get in touch with your IRA administrator today!

LEARN MORE BY VISITING MPR.ORG/IRA OR BY CONTACTING JOE THIEGS AT 651.290.1583 OR JTHIEGS@MPR.ORG.

Thank you again for your support of MPR and the essential services it provides!
Recommended Resources
Recommended Resources

- **Books:**
  - Endowment Building (Newman)
  - Planned Giving in a Nutshell (Wruck)
  - Planned Giving Workbook (Jordan & Quynn)
  - Visual Planned Giving (James)

- **Online:**
  - Crescendo
  - The Stelter Company
  - PG Calc
  - Planned Giving Design Center
Questions?
Contact us

- Beth McCray, gift planner
  - Elizabeth.McCray@spmcf.org
  - 651.325.4297

- Mariah Brook, gift planner
  - Mariah.Brook@spmcf.org
  - 651.325.4269